

## MEMORANDUM

**TO:** Commissioner, Deputy Commissioner, General Counsel,  
Division Directors, Policy Analysts and Staff Attorneys

**FROM:** Susan Mesner, Senior Economist

**DATE:** October 16, 2012

**SUBJECT:** 2013 Interest Rates

Act 143 (2012) amended the law that governs the calculation of interest rates in Vermont for underpayment and overpayment of tax liabilities. The annual rate for overpayments is now rounded up to the nearest quarter percent, with the quarterly rate rounded to the nearest whole tenth of a percent. The annual rate for underpayments is set at 200 basis points above the rate for overpayments.

The average prime loan rate charged by banks (as determined by the Board of Governors of the Federal Reserve System) for the 12-month period beginning October 1, 2011 and ending September 30, 2012 was 3.25%. Rounded up to the nearest quarter percent, the annual rate for 2012 is 3.25%. When converted to a monthly rate, the result is 0.27% per month.

Under 32 V.S.A. § 3108(a), the monthly rate is rounded up to the nearest whole tenth of a percent, producing an **interest rate in 2013 of 0.3% per month for overpayments, and an annual rate of 3.6%.** The **2013 annual interest rate for underpayments is 5.6%, or 0.5% per month.**

These rates apply to interest that accrues in calendar year 2013.

10/16/12  
Date

APPROVED: Mary W. Peterson  
Mary Peterson  
Commissioner of Taxes